

Wyoming Health Insurance Market Study Preliminary Results

October 10, 2011

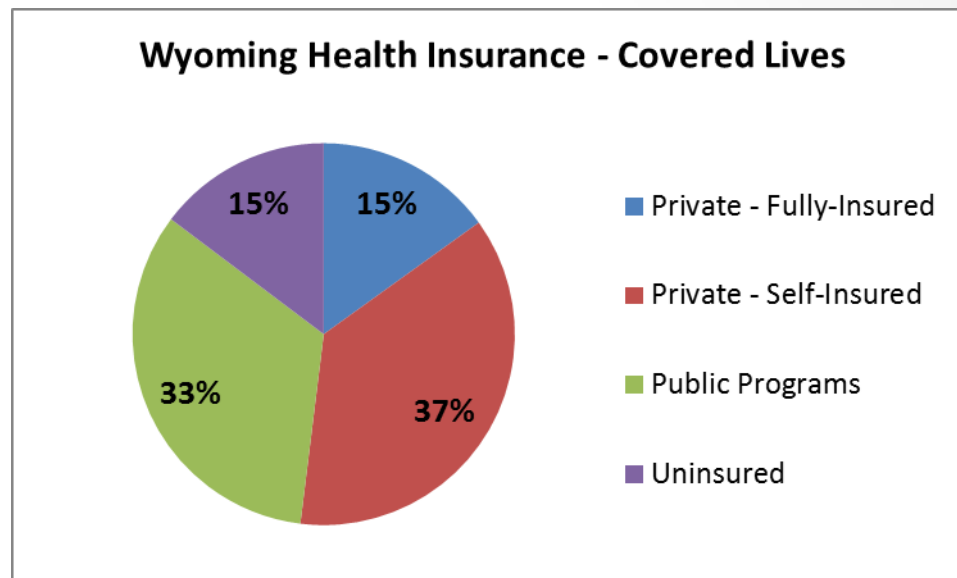
Gorman Actuarial, LLC

Status Update

- PCG, along with Gorman Actuarial, has been engaged by the State of Wyoming to perform a Health Insurance Market study.
- Data surveys were distributed and carrier interviews were conducted in August.
- Initial carrier data was received by the end of the 3rd week of September.
- There have been follow-up questions and conversations with carriers regarding initial survey responses. Some information remains outstanding.
- This presentation provides a high level summary of analysis to date. Results are subject to change based on our final analysis.
- A final report will be issued at the end of October.

Market Membership Summary

	Lives (000's)
Private Markets - Fully Insured	
Individual	24
Small Group (1-50)	26
Large Group (51+)	35
Private Markets - Self Insured	208
Public Markets	
Medicare	78
Medicaid (Equality Care)	72
Military (TRICARE & VA)	37
High Risk Pool (WHIP)	1
Uninsured	83
TOTAL POPULATION	564



- Slightly more than half of Wyoming residents receive health coverage in the private market, primarily through employer-sponsored coverage. A large majority of employer-sponsored coverage is self-insured*.
- One-third of Wyoming residents receive health insurance through federal or state insurance programs.
- Approximately 83,000 residents (15% of the overall population, 17% of the non-elderly population) do not have health insurance coverage.

* The number of self-insured lives is inferred based on the other figures, as this information is not reported publicly. The estimate of self-insured lives was confirmed as reasonable through conversation with carriers and other research and analysis.

Demographics

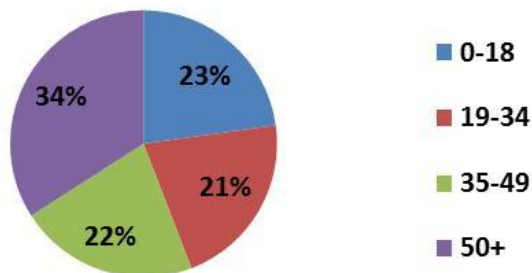
Individual Plan Membership

AGES	FEMALE	MALE
0-18	11.1%	11.8%
19-34	10.4%	13.1%
35-49	10.6%	10.8%
50+	16.5%	15.8%
Total	48.5%	51.5%

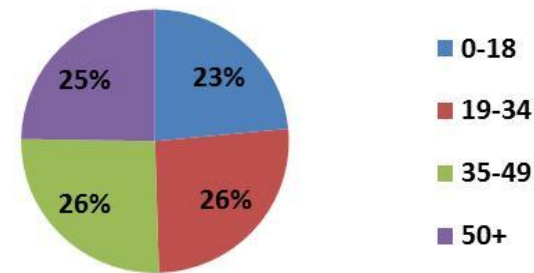
Small Group Plan Membership

AGES	FEMALE	MALE
0-18	10.6%	11.7%
19-34	11.8%	15.0%
35-49	11.6%	14.8%
50+	11.2%	13.4%
Total	45.2%	54.8%

Individual Plan Membership by Age

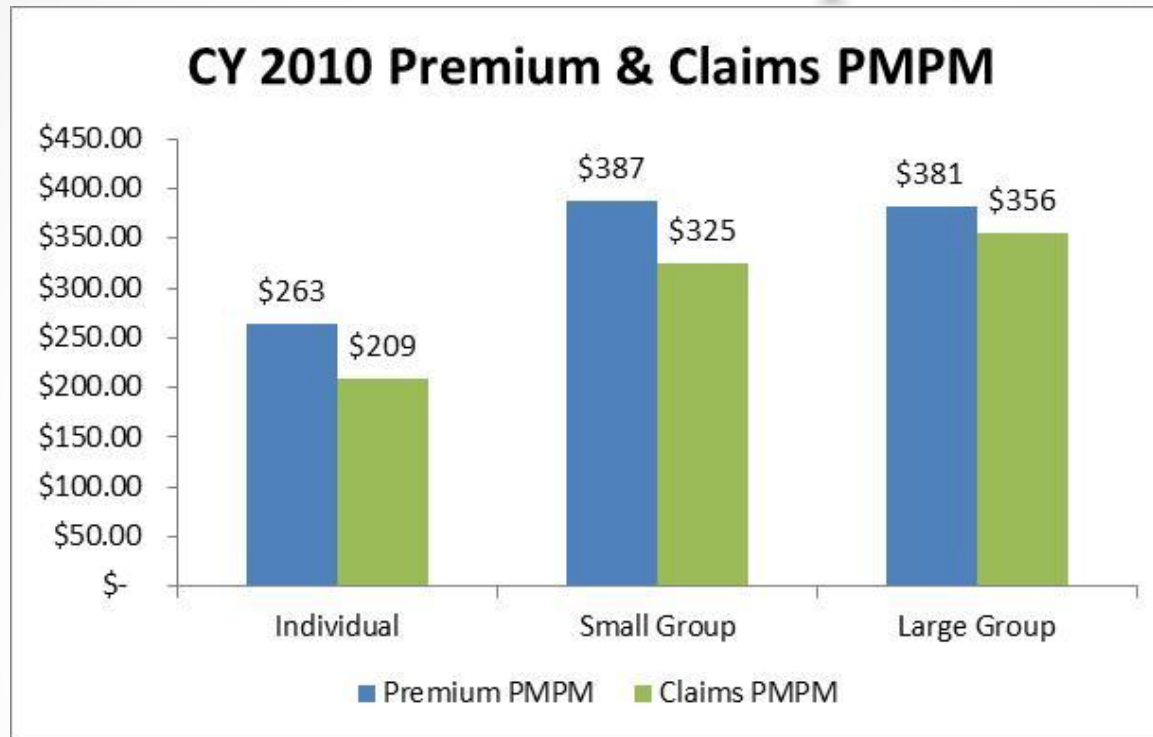


Small Group Membership by Age



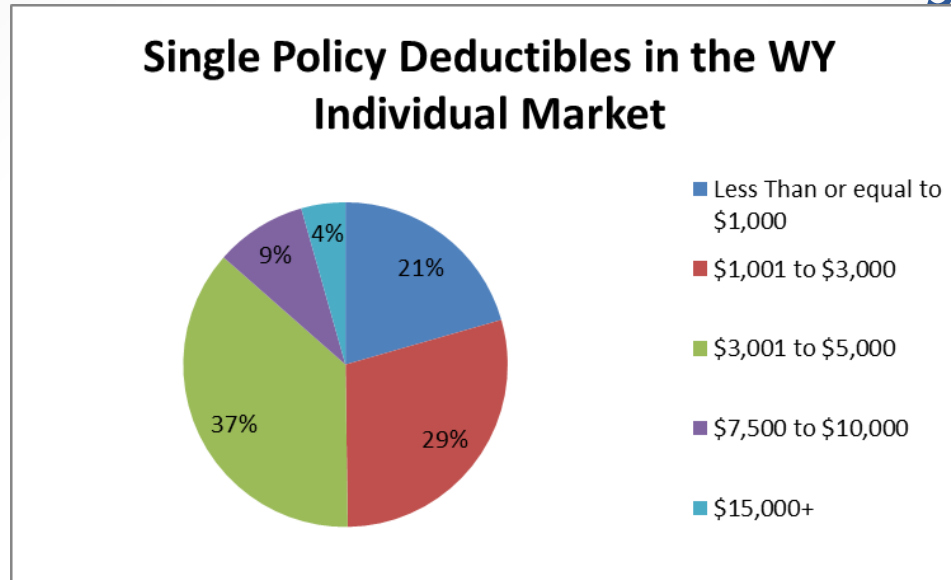
- The current Individual market in Wyoming skews somewhat older than the fully-insured Small Group market. 34% of the individual market members are age 50 or greater compared to 25% in the Small Group market.
- The average member age in the Individual market is 37 while the average in the Small Group market is 35. By contrast, members in the WHIP High Risk Pool are considerably older than both of these markets with an average age of 53.

Market Comparison



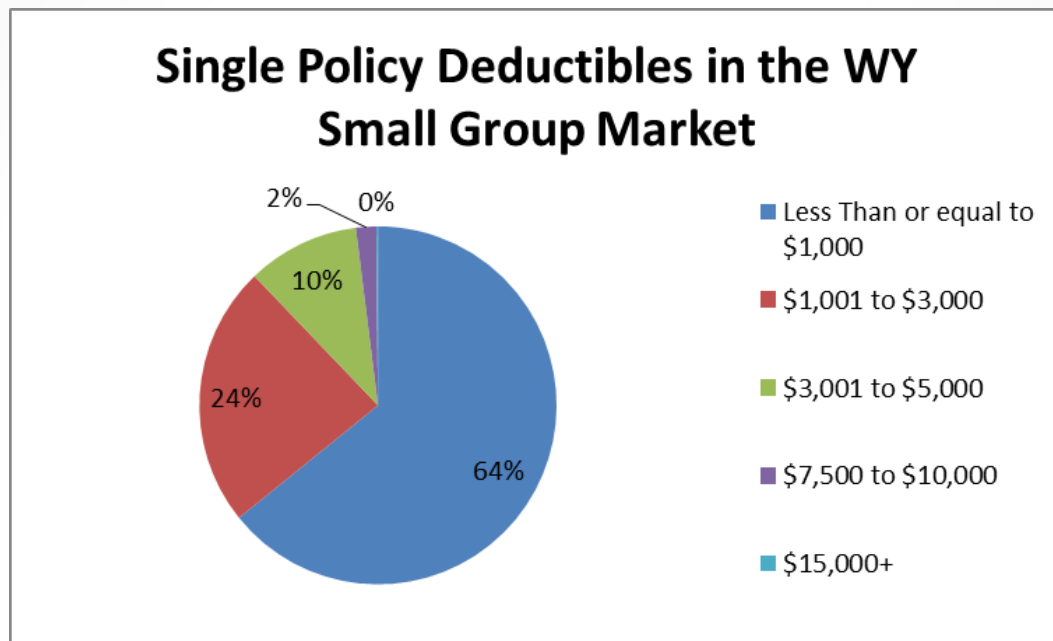
- 2010 Incurred Claims PMPM in the Individual market were 36% and 41% below the Small and Large Group fully-insured markets, respectively. This is due primarily to less comprehensive plan designs in the Individual market. In addition, health underwriting practices are not currently regulated in the Individual market, which allows for more variation in rates, and more selection of healthier members.
- Many of the lean plan designs currently offered in the Individual market will not meet minimum actuarial value standards required by the ACA in 2014. More comprehensive plan designs will be required.
- In addition, the ACA will eliminate health underwriting in all fully-insured markets in 2014.

Benefit Plan Analysis



- The estimated average Actuarial Value of the plans offered in the Individual market is 43%. Actuarial Value is defined as the share of costs covered by the plan for a standard population with coverage for all essential benefits.
- Only 21% of the market is enrolled in plans with deductibles of \$1,000 or less.
- 50% of the market is enrolled in plans with deductibles above \$3,000.
- Less than 5% of the market has coverage for standard maternity costs, and some plans exclude pharmacy and behavioral health coverage.
- Small Group benefit designs are approximately 30 - 50% richer than then Individual market.
- ACA will require all plan designs offered in and out of the exchange to have a minimum Actuarial Value of 60% in 2014. Current Individual market enrollees will see average premiums increase by 30-40% based on this provision alone as many of the leaner plans in the current market will no longer be offered.

Benefit Plan Analysis



- The estimated average Actuarial Value of the plans offered in the Small Group market is 63%.
- 64% of the market is enrolled in plans with deductibles of \$1,000 or less.
- Only 12% of the market is enrolled in plans with deductibles above \$3,000.
- Although the overall Small Group market meets the ACA minimum actuarial value standard of 60%, some of the less comprehensive plans in the Small Group market will no longer be allowed in 2014.

Rating Changes

	RATING PRACTICES	
	WYOMING CY 2010	ACA CY 2014
Age & Gender	Age & Gender Allowed - No Limit	Age Only within 3:1 Band for Adults
Tobacco	Allowed	Allowed, up to 50%
Geography	Allowed; Regions Defined by Carriers	Allowed, Regions Defined by State
Health Underwriting	Allowed, but Small Group Mkt +/- 35%	Not Allowed
Duration	Allowed	Not Allowed
Group Size (Small Group only)	Allowed up to 20%	Not Allowed
Industry (Small Group only)	Allowed +/- 15%	Not Allowed

- ACA will eliminate many common rating variables currently used by carriers in the Individual and Small Group markets.
- Gender rating will no longer be allowed. Age rating will still be allowed, but the highest adult rate must be no more than 3 times the lowest adult rate (referred to as the 3:1 band).
- Rating regions will be allowed, but standard regions will be defined by the State rather than by each carrier.
- Health Underwriting will no longer be allowed in either market. All plans will be guaranteed issue.
- The use of tobacco will be allowed as a rating variable limited to a 50% rate surcharge.
- Rating based on policy duration, group size and industry classification will no longer be allowed in 2014.
- These changes and restrictions will drive considerable premium changes and more cross-subsidization to both the Individual and Small Group markets in 2014.

Impact of Age/Gender Changes

INDIVIDUAL MARKET

AGES	FEMALE	MALE
19-24		
25-29		
30-34		
35-39		
40-44		
45-49		
50-54		
55-59		
60+		

based on age and gender of member

Significant Increases (>20%)
Likely Increases (0 - 20%)
Mix of Increases and Decreases
Likely Decreases (0 - 20%)
Significant Decreases (> 20%)

- One of the most significant rating changes will be the elimination of gender rating and the restriction of the 3:1 band on age rating.
- All Wyoming carriers currently use gender as a rating variable. In addition age bands are generally wider than 3:1.
- The elimination of gender rating will have the most unfavorable impact on males under age 40.
- The tightening of the allowed age rating factors will drive more favorable rates for many older enrollees at the cost of higher rates for younger enrollees.
- Small Groups with employee populations towards the extremes of the age-gender scale (all male or all female employees, all young adults or all approaching Medicare-eligibility) are likely to see the greatest premium shocks due to these rating changes.

SMALL GROUP (based on Age/Gender of Subscriber and Type of Coverage)

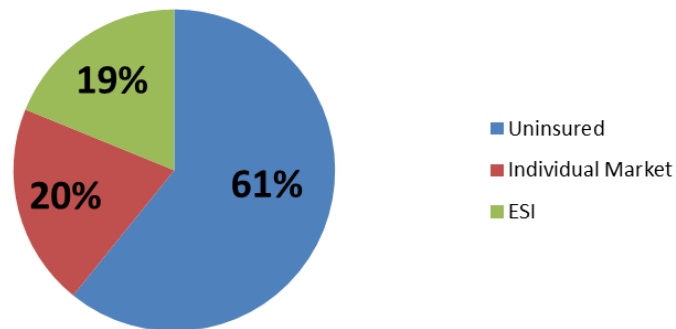
	EMPLOYEE ONLY		EMPLOYEE + CHILD(REN)		COUPLE	FAMILY
AGES	FEMALE	MALE	FEMALE	MALE		
19-24						
25-29						
30-34						
35-39						
40-44						
45-49						
50-54						
55-59						
60+						

based on age and gender of subscriber, and type of coverage

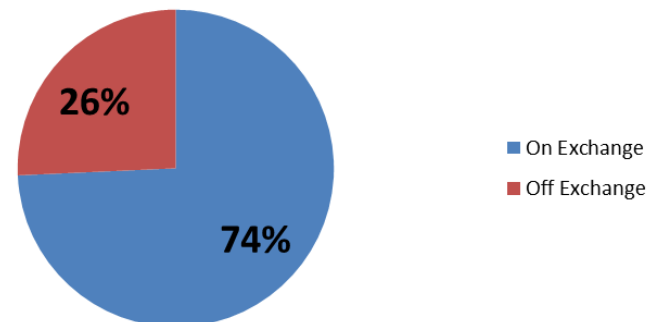
Estimated Exchange Enrollment

- Using publicly available data and research literature, we developed low and high estimates of the Individual Market Exchange enrollment in CY2016.
- Estimated Enrollment comes from:
 - Currently Uninsured
 - Currently in the Individual market
 - Currently in ESI
- Total Exchange Enrollment is estimated to be between 38,000 and 41,000.
 - Urban Institute Estimates 58,000, which we believe to be at the high end
 - The total Individual market (On-Exchange and Off-Exchange) is estimated to more than double from 24,000 today to 53,000 in CY2016.

Source of WY Enrollment in Exchange



Percent of Individual Market



Merged Market Scenarios

	ESTIMATED RATE IMPACT ON THIS MARKET		
MERGER OF	INDIVIDUAL	SMALL GROUP	LARGE GROUP 51-100
HIGH RISK POOL (HRP) & INDIVIDUAL (IND)	1% to 6%	-8% to 0%	-13% to -5%
IND & SMALL GROUP (SG)	1% to 6%		
HRP, IND & SG	1% to 8%		
SG & LARGE GROUP 51-100 (LG)	1% to 8%	0% to 5%	-13% to -5%
HRP, IND, SG & LG		-6% to 2%	-16% to -8%

- The Individual market, because of favorable morbidity in the current population, is likely to experience single-digit rate increases under any merged market scenario.
- The fully-insured Large Group 51-100 market, which is relatively small compared to the Individual and Small Group markets, is likely to see rate decreases in a merged market scenario.
- Small Group would most likely see favorable rate changes in a merger with the Individual market, but unfavorable rate changes in a merger with Large Group 51-100 only. In a merger of all three markets, the directional impact on Small Group is not as clear, but is likely to be more muted given the offsetting rate changes in the Individual and Large Group markets.

NOTE: The estimates of rate impact should be considered preliminary, but directionally accurate. Market data has been normalized for differences in age, gender and benefit plan design across the markets.